

RESOLUTION NO. 2004 – 05

RESOLUTION OF THE CITY OF SOMERSET APPROVING COOPERATION WITH OTHER CITIES WITHIN THE GAS UTILITY DISTRIBUTION SYSTEM OF WEST TEXAS GAS, INC., TO CREATE A STEERING COMMITTEE TO HIRE LEGAL AND CONSULTING SERVICES AND TO NEGOTIATE WITH THE COMPANY AND DIRECT ANY NECESSARY LITIGATION; REQUIRING REIMBURSEMENT OF CITIES' RATE CASE EXPENSES; AUTHORIZING INTERVENTION IN THE PROCEEDING AT THE RAILROAD COMMISSION; REQUIRING NOTICE OF THIS RESOLUTION TO THE COMPANY

WHEREAS, on or about March 29, 2004, West Texas Gas, Inc., filed with the City of Somerset, a Statement of Intent to change gas rates; and

WHEREAS, West Texas Gas, Inc., also filed similar requests in all cities served by its distribution system and also filed a rate increase request at the Railroad Commission of Texas to cover all customers in unincorporated areas; and

WHEREAS, on April 8, 2004, the City of Somerset suspended the operation of the rates proposed by West Texas Gas, Inc., as allowed by the Gas Utility Regulatory Act (Texas Utilities Code §104.107)

WHEREAS, West Texas Gas, Inc., has based its new rate structure and rates on costs to serve customers in what it has designated as the North and South Zones of its entire system; and

WHEREAS, it is reasonable for the City of Somerset to cooperate with other cities served by West Texas Gas, Inc., in a review of the Company's application and to create a WTG Cities Steering Committee to coordinate the hiring and direction of legal counsel and consultants and to negotiate with the Company and direct any necessary litigation; and

WHEREAS, the Gas Utility Regulatory Act (Texas Utilities Code §103.022) provides that costs incurred by Cities in ratemaking activities are to be reimbursed by the regulated utility; and

WHEREAS, the Gas Utility Regulatory Act (Texas Utilities Code §103.023) grants local regulatory authorities the right to intervene in rate proceedings filed at the Railroad Commission.

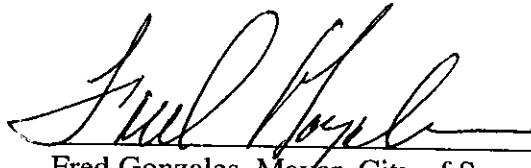
THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SOMERSET, TEXAS:

1. That the City is authorized to cooperate with other cities served by West Texas Gas, Inc., to create a Steering Committee to hire and direct legal counsel and consultants, to negotiate with West Texas Gas, Inc., to make recommendations to the City regarding reasonable rates, and to direct any necessary litigation associated with an appeal of a rate ordinance and the rate case filed at the Railroad Commission. This counsel shall be designated "Attorney in Charge" and shall be in addition to the services of Denton, Navarro, Rocha & Bernal, P.C. who shall remain on the matter in accordance with our prior resolution.

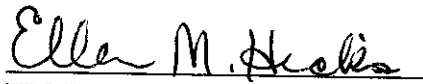
2. West Texas Gas, Inc. shall reimburse all reasonable rate case expenses incurred by the City of Somerset.

3. That the City is authorized to intervene in the rate proceedings filed at the Railroad Commission by West Texas Gas, Inc., on or about March 29, 2004, and any subsequent appeals filed by West Texas Gas, Inc., of City action.

4. That a copy of this resolution is to be sent to the local representative of West Texas Gas, Inc.


Fred Gonzales, Mayor, City of Somerset

ATTEST:


ELLEN HICKS, City Secretary